

Message Text

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12

ACTION ARA-10

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NSCE-00 SP-01 PM-03 L-02 CIAE-00 INR-10 NSAE-00

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 4016

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L CARACAS 4903

LIMDIS

E.O. 11652: GDS

TAGS: ENRG XX

SUBJECT: PROSPECTS FOR EXXON FUTURE OPERATIONS IN VENEZUELA

1. I RECEIVED A VISIT YESTERDAY (MAY 30) FROM CLIFTON
GARVIN, PRESIDENT OF EXXON, WHO WAS ACCOMPANIED BY
DONALD COX, VICE PRESIDENT FOR LATIN AMERICAN OPERATIONS
AND ROBERT DOLPH, PRESIDENT OF CREOLE. THEY HAD HAD
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A ONE-HALF HOUR AUDIENCE WITH PRESIDENT CARLOS ANDRES

PEREZ THAT MORNING BUT SAID THAT, ALTHOUGH PRESIDENT WAS FORTHCOMING AND AFFABLE, NEITHER SIDE WENT INTO PARTICULARS OF A FUTURE RELATIONSHIP. HOWEVER, BOTH SIDES AGREED THAT UNDER THE NEW VENEZUELAN POLICY OF NATIONALIZATION OF PETROLEUM RESOURCES THERE STILL MIGHT BE ROOM FOR "PARTNERSHIP" BETWEEN GOVA AND THE EXISTING OPERATING COMPANIES.

2. THE MOST POSITIVE OUTCOME OF THE CONVERSATION WAS PRESIDENT'S STATEMENT THAT HE WOULD APPOINT FOUR MINISTERS TO MEET TODAY WITH EXXON EXECUTIVES AND IN A PRELIMINARY WAY DISCUSS DETAILS AS TO THEIR FUTURE ASSOCIATION. PRESUMABLY THESE FOUR MINISTERS WILL BE THE TITULARS, MINISTER OF MINES AND HYDROCARBONS, ING. VALENTIN HERNANDEZ, THE MINISTER OF FINANCE, HECTOR HURTADO, THE MINISTER OF STATE FOR PLANNING, GUMERSINDO RODRIGUEZ AND THE PRESIDENT'S SPECIAL ADVISOR FOR INTERNATIONAL ECONOMIC AFFAIRS, PEREZ GUERRERO.

3. I TOLD MY VISITORS THAT IF A BUSINESS-LIKE NEGOTIATING COMMITTEE COULD BE SET UP BETWEEN THE VENEZUELAN GOVERNMENT AND CREOLE, SIMILAR TO THAT ALREADY ESTABLISHED IN DEALING WITH ORINOCO MINING COMPANY (CARACAS 4482), A DEFINITE FORWARD STEP WOULD HAVE BEEN MADE. I LIKEWISE OFFERED THE OPINION THAT CREOLE HAD AT LEAST SIX MONTHS IN WHICH TO PREPARE NEW ARRANGEMENTS WITH THE VENEZUELAN GOVERNMENT BECAUSE THAT WAS THE PERIOD OF TIME IN WHICH THE SPECIAL PETROLEUM COMMISSION WOULD COMPLETE ITS RECOMMENDATIONS; AND I REPEATED MY PREVIOUS SUGGESTION TO DOLPH THAT CREOLE WOULD BE WELL ADVISED TO CONSULT QUIETLY WITH KEY MEMBERS OF THE COMMISSION IN AN ATTEMPT TO ASSURE THAT ITS RECOMMENDATIONS WOULD BE THOSE WITH WHICH CREOLE COULD LIVE WHILE AT THE SAME TIME PAYING DUE RESPECT TO VENEZUELAN SENTIMENTS ON NATIONALISM. I THOUGHT A GOOD CASE COULD BE MADE THAT VENEZUELA WOULD PROFIT MORE BY LETTING CREOLE DO MANAGEMENT AND MARKETING THAN IF THE GOVERNMENT TRIED TO GO IT ALONE. BOLPH COMMENTED THAT AS OF
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TODAY CREOLE GETS ONLY THREE CENTS OUT OF EVERY DOLLAR OF PROFIT; THE GOV GETS 97 CENTS.

4. TO THESE SUGGESTIONS MR. GARVIN AND HIS COLLEAGUES AGREED, ADDING THAT THEY HAD THE DEFINITE IMPRESSION FROM THEIR TALK WITH PRESIDENT PEREZ THAT MORNING THAT HE WAS DETERMINED TO ESTABLISH THE NEW PETROLEUM REGIME IN VENEZUELA BY THE END OF 1974. IT WAS

INTERESTING THAT THE EXXON EXECUTIVES REVEALED THAT,
EVEN BEFORE PRESIDENT PEREZ' ANNOUNCEMENT OF MAY 16,
CREOLE HAD BEEN PREPARING PROPOSALS FOR EARLY REVERSION.
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